

# Memorandum

To: Panel Members

Date: May 22, 2003

From: Dolores Kendrick, Manager  
Peter DeMauro, General Counsel

Analyst: N. Weingart

Subject: Proposed Amendment No. 3 for **Herbalife International of America, Inc.**  
(www.herbalife.com)

## **CONTRACTOR:**

- Training Project Profile: Retraining companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 2,400
  - In California: 1,200
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs:
  - Present Program Costs:** \$311,080
  - Amendment Program Costs +:** \$156,470
  - Total Program Costs:** \$467,550
- Substantial Contribution:
  - Present Contract Contribution:** \$0
  - Amendment Contribution +:** \$0
  - Total Contributions:** \$0
- Total ETP Funding: \$467,550
- In-Kind Contribution: \$728,700
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles
- Duration of Agreement: 24 months

### **ACTIVE PROJECTS:**

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number retained for 90 days
ET02-0311	4/8/02-4/7/04	\$311,080	475	440	395	162

The Contractor reports that 395 trainees have completed all training, and that no additional trainees will be enrolled in Phase I. To date, 162 trainees have completed the 90-day retention period. The Contractor estimates that all 395 Phase I trainees will complete retention, which translates to an 83% completion rate.

### **NARRATIVE:**

Herbalife International of America, Inc., is a global sales and marketing company that manufactures and distributes weight management, nutritional, and personal care products. The company has more than a million independent distributors worldwide who sell products to retail consumers or other distributors. Herbalife employs 1,200 Californians at its three facilities located in Inglewood, Carson, and Culver City.

Herbalife conducts business in a high-pressure, global arena and fierce competition is forcing the company to find new and better ways to meet customer demands for lower prices and improved product quality. The company is refocusing its business strategies and prioritizing work procedures to move toward becoming a High Performance Workplace. It is placing customer demands at the forefront of the company's objectives and implementing process improvements to increase efficiency and product consistency. Current Managers, Supervisors, Operations Staff, Management Information Staff, Warehouse Workers, Administrative Staff, and Project Managers are being trained or cross-trained in Business Skills, Management Skills, Continuous Improvement, Computer Skills, and Advanced Technology (Computer) Skills.

### **Supplemental Nature of Training**

The training described in this Agreement does not replace existing training provided by Herbalife. Past training has been done on an as-needed basis rather than as a coordinated, across-the-board effort by the Human Resource and Training Managers. In 1999, Herbalife used ETP funds to train some staff and a few workers also participated in a multiple employer contract using ETP funds. Seminars and job-specific vendor training have also been conducted.

Under this Agreement, ETP funding is allowing the company to provide an organized and carefully planned program comprised of dedicating staff to coordinate the program; providing cross-training across company lines; training workers in more complex skill levels rather than solely introductory levels; strengthening the skill sets of newer employees; hiring professionally trained instructors; utilizing sophisticated training materials; and hiring an organization to assist with management of training records. Without the assistance of ETP funding, Herbalife would not be able to train and cross-train in such a comprehensive manner and the company's goal of moving to a High Performance Workplace could be undermined.

**NARRATIVE:** (continued)

Amendment Request

Herbalife requests the following changes to its Agreement:

Phase I Training:

- Increase and decrease training slots in existing Job 1, 2, 4 and 5.
- Add health benefits for three occupations (Operations Staff, Warehouse Worker, and Administrative Staff) to meet the ETP minimum wage of \$11.78 per hour.

Phase II Training:

- Add Jobs 6 through 9 as Phase II training and include the use of health benefits to meet the minimum wage of \$11.92 per hour.
- Add new courses to the curriculum for the five existing Types of Training (Business Skills, Computer Skills, Continuous Improvement, Management Skills, and Advanced Technology).

The Contractor stated that as a result of a change in ownership, Herbalife is now under new management. The new executive staff conducted an organization-wide needs assessment and an in-depth evaluation of the ETP training program. Staff decided to complete trainees who were already in the program, but wished to redefine their training requirements and reorganize the program to accommodate current company goals. The number to be retained in Job 2 was decreased because staff decided that computer-based training was not producing the expected results. Job 5 also decreased by the number of trainees that had not yet started training. Jobs 1 and 4 had one to two additional trainees who completed the program. At this time, no additional trainees will be enrolled in Jobs 1 through 5.

The Contractor reports that health benefits were inadvertently omitted for approximately 20 to 30 trainees in the Phase I training. Therefore, to meet ETP's minimum wage requirements for trainees who successfully completed training, those benefits will now be included in their final Wage after Retention.

To continue training under a reorganized program, the Contractor is requesting the addition of a Phase II training program into the Agreement. New staff has established several key initiatives: process improvement; waste reduction; department re-engineering; advanced leadership; enhanced customer service; and Information Technology systems improvements. These initiatives require additional, more in-depth training for key employees. Consequently, approximately 70 percent of the Phase II enrollees will be repeat trainees who need additional hours and new courses. Phase I training established the foundation for workers to receive more advanced courses. All courses in the Phase II program will be new for the trainees; no one will retake any of the courses they received in the Phase I training. The other 30% of Phase II will be dedicated to first-time training frontline workers and managers. The Phase II trainees' curriculum includes the identical five Types of Training found in Phase I. Some courses are repeated for new trainees; most are new or revised to achieve modified company objectives.

The overall net effect of revisions to Phase I training and the addition of Phase II training is to increase the total number of trainees, the total Agreement amount, and the in-kind contribution.

**NARRATIVE:** (continued)

**In-Kind Contribution**

The current in-kind contribution amount is \$620,000 for trainee wages paid during training. Due to the reduction of training slots in the Phase I training, that amount was recalculated and reduced to \$407,700, which is still in excess of 100% of the ETP funding amount and sufficient to meet current policy requirements. An additional in-kind contribution of \$321,000 for trainee wages while in training has been added for the Phase II training. Total in-kind contribution is now \$728,700.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this Amendment if funding is available and the project meets Panel priorities. This recommendation is based on Herbalife's stated need to provide its workers with skills to become a high performance workplace to satisfy customer requirements and remain competitive in a global economy.

**TRAINING PLAN: Phase I**

<b>Grp/Trainee Type</b>	<b>Types of Training</b>	<b>No. Retain</b>	<b>No. Class/Lab Videocnf. Hrs</b>	<b>No. CBT Hrs</b>	<b>No. SOST Hrs.</b>	<b>Cost per Trainee</b>	<b>Hourly Wage after 90 days</b>
Retrainee Jobs 1- 5	Business Skills Continuous Improvement Computer Skills Management Skills Advanced Technology	395	32 - 90	8	0	\$480-\$1,170	*\$11.78-\$75.00
					<b><u>Range of Hourly Wages</u></b> \$11.78-75.00		
					<b><u>Prevalent Hourly Wage</u></b> \$17.00		
					<b><u>Average Cost per Trainee</u></b> \$662		
<b><u>Health Benefit used to meet ETP minimum wage:</u></b>  Health benefits of at least \$.08 per hour will be applied to the base wage in order to meet the ETP minimum hourly wage.					<b><u>Turnover Rate</u></b> 14.8%	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b> 10.9%	

**TRAINING PLAN: Phase II**

<b>Grp/Trainee Type</b>	<b>Types of Training</b>	<b>No. Retain</b>	<b>No. Class/Lab Videocnf. Hrs</b>	<b>No. CBT Hrs</b>	<b>No. SOST Hrs.</b>	<b>Cost per Trainee</b>	<b>Hourly Wage after 90 days</b>
Retrainee Jobs 6 - 9	Business Skills Continuous Improvement Computer Skills Management Skills Advanced Technology	235	40 -90	0	0	\$520-\$1,600	*\$11.92-\$75.00
						<b><u>Range of Hourly Wages</u></b> \$11.92-\$75.00	
						<b><u>Prevalent Hourly Wage</u></b> \$17.00	
						<b><u>Average Cost per Trainee</u></b> \$877	
<b><u>Health Benefit used to meet ETP minimum wage:</u></b>  Health benefits of at least \$.22 per hour will be applied to the base wage in order to meet the ETP minimum hourly wage.						<b><u>Turnover Rate</u></b> 14.8%	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b> 25.5%

**HERBALIFE INTERNATIONAL OF AMERICA, INC.  
MENU CURRICULUM**

**PARTICIPANTS MAY TAKE 32-64 CLASS/LAB HOURS AND 8 CBT HOURS(JOB 2 ONLY) IN ONE OF MORE  
OF THE FOLLOWING:**

**BUSINESS SKILLS**

Communications

Presentation Skills  
Effective communication skills  
Negotiation in today's changing industry  
Managing cultural diversity  
Effective Listening and Interpersonal Skills  
Handling change  
Business Readiness

Quality Improvement

Effective administrative skills  
Sales, Marketing, Networking, Influencing  
Time Management Skills  
Exceptional Customer Service, high service organization  
Creative Services

Problem Solving Strategies

Critical thinking skills  
Process Reengineering  
Total Quality Management  
Conflict Resolution

Financial Strategies

Financial strategies and analysis  
Budget process

**HERBALIFE INTERNATIONAL OF AMERICA, INC.**  
**MENU CURRICULUM**

**MANAGEMENT SKILLS**

Class/Lab: Leadership

Effective role of Managers and Supervisions  
Flexible and Positive Leadership  
Promoting Innovation  
Effective Delegation  
Leading effective meetings

Decision Making

Strategic Planning  
Management of Organization change

Hiring, Firing, Discipline

High Performance Development  
Hiring Winners, Interviewing skills  
Performance Appraisals and Management  
Handling trouble employees, documenting discipline  
Managing Cultural Diversity

Motivation & Reinforcement

Motivation Skills  
Managing and Influencing change.

Coaching Procedures

Coaching for high performance

Administration

Effective Administration



**HERBALIFE INTERNATIONAL OF AMERICA, INC.**  
**MENU CURRICULUM**

**CONTINUOUS IMPROVEMENT**

Problem Solving and Decision Making

Improving process performance

Process Mapping

Risk taking and workplace ethics

Distributor Relations Training

Team Building

Building workplace relationships

Cross Functional Teams

Building successful teams

Process Improvement

Process Performance

Process Mapping

Distributor Relationships

Refunds and Repurchase

**HERBALIFE INTERNATIONAL OF AMERICA, INC.**  
**MENU CURRICULUM**

**COMPUTER SKILLS**

Microsoft Office

Word

Excel

PowerPoint

Outlook

Access

MS Project

Project Management

MS Project

World Wid Web

Internet Usage

Frontpage

HTML

Dreamweaver

Flash

Javascript

Web design

Programming

Visual Basic

Visio

C and C++

Graphic Design

Photoshop

Quarkxpress

Illustrator

Pagemaker

Accounting Software

Peachtree

MAS90

Quickbooks

Quicken

## **HERBALIFE INTERNATIONAL OF AMERICA, INC. MENU CURRICULUM**

**ADVANCED TECHNOLOGY SKILLS:** Participants may select 8 hours from the courses listed below:

### XML/XSLT

Cold fusion  
Start with CFML  
Cold Fusion and databases, forms creation  
Build a drill down application  
Using cold fusion application frameworks

### ASP.Net/VB Net

Working with ASP.Net  
Using Web Controls  
Using ADO.NET to Access Data  
Separating Code from Content

### SQL Programming

Enterprise Performance issues  
SQL Server architecture and monitoring  
Designing a SQL Server Environment  
Optimizing , analyzing queries  
Integrating SQL Server in an Enterprise Solution

### After Effects/Maya

Animation composition  
Adding effects to composition  
Animation and keyframe techniques  
Compositing video

### Crystal Reports

Report creation  
Sorting, grouping, linking , formula creation  
Working with report experts  
Distribution of reports to other users

### Advanced Custom Software

Sabre Tele-ticketing  
Extensions  
Phoenix  
Reflections

### **MS 2000 Network and Operating Systems Essentials**

**Implementing and Administering Windows 2000 network  
Configuration and Administration of Windows 2000  
Installing, configuring and administering Windows 2000 Server  
Designing MS Windows 2000 directory services infrastructure**

## HERBALIFE INTERNATIONAL OF AMERICA, INC.

### JOB 05 CURRICULUM MANAGERS AND SUPERVISORS

Curriculum listed below is tailor made to suit the needs of the Managers and Supervisors. Participants will need to complete 90 hours of training from the courses listed below:

Leadership and Motivation  
Coaching Strategies for High performance  
Conducting Effective Performance Appraisal  
Effective Communication (effective or assertive)  
Business Writing skills  
Business Readiness  
Effective Presentation skills  
Project Management skills  
Performance Management  
Manager's Role in Customer Service  
Strategic Planning  
Promoting Innovation  
Negotiation Skills  
Distributor Relationships  
Effective Administration  
Emotional Intelligence  
Performance Appraisals & Management  
Problem Solving for Managers  
Change Management  
Situational Leadership  
Time Management for Managers  
Building Productive Work Relationships  
Budget Process  
Conflict Resolution  
Diversity Management  
Financial Analysis  
Motivating Employees  
Meeting Management